

**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BATH COUNTY SHERIFF**

**For The Year Ended  
December 31, 2009**

The Auditor of Public Accounts has completed the Bath County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$1,430 from the prior year, resulting in excess fees of \$24,453 as of December 31, 2009. Revenues decreased by \$11,064 from the prior year and expenditures decreased by \$12,494.

#### **Report Comments:**

- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff Should Present His Annual Settlement To The Fiscal Court
- The Sheriff Should Improve Internal Control Procedures

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by FDIC.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Carolyn Belcher, Bath County Judge/Executive  
The Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Bath County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 2, 2010 on our consideration of the Bath County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Carolyn Belcher, Bath County Judge/Executive  
The Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff Should Present His Annual Settlement To The Fiscal Court
- The Sheriff Should Improve Internal Control Procedures

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Bath County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

August 2, 2010



BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Grant		\$	5,440
State - Kentucky Law Enforcement Foundation Program Fund			5,987
State Fees For Services:			
Finance and Administration Cabinet	\$	8,126	
Sheriff Security Service		<u>16,075</u>	24,201
Circuit Court Clerk:			
Fines and Fees Collected			250
Fiscal Court			5,423
County Clerk - Delinquent Taxes			30
Commission On Taxes Collected			109,445
Fees Collected For Services:			
Auto Inspections		900	
Accident and Police Reports		285	
Serving Papers		25,900	
Carrying Concealed Deadly Weapon Permits		<u>1,580</u>	28,665
Other:			
Advertising Fees		1,990	
Miscellaneous		1,752	
Add-on Fees		<u>22,448</u>	26,190
Interest Earned			446
Borrowed Money:			
State Advancement			<u>39,318</u>
Total Revenues			245,395

The accompanying notes are an integral part of this financial statement.

BATH COUNTY  
 JOHN SNEDEGAR, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	58,908
Contracted Services-		
Advertising		56
Materials and Supplies-		
Office Materials and Supplies		2,936
Uniforms		132
Auto Expense-		
Gasoline		9,485
Maintenance and Repairs		3,411
Other Charges-		
Tax Settlement		250
Dues		352
Postage		406
Lake Patrol Expenditures		1,660
Constable Serving Papers		980
Computer Maintenance and Repair		723
Transporting Prisoners		189
Miscellaneous		155
Capital Outlay-		
Office Equipment		3,182
Vehicles		26,475
		<u>26,475</u>
	\$	109,300

Debt Service:		<u>39,318</u>
State Advancement		

Total Expenditures	\$	<u>148,618</u>
Net Revenues		96,777
Less: Statutory Maximum		<u>72,324</u>
Excess Fees Due for Calendar Year 2009		24,453
Payment to Fiscal Court - January 27, 2010		<u>10,315</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u><u>14,138</u></u>

The accompanying notes are an integral part of this financial statement.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Bath County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Bath County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 4. Lake Patrol

The Bath County Sheriff's office contracted with the United States Army Corps of Engineers to provide patrols at Cave Run Lake. The Sheriff's office received \$5,440 for patrolling the lake during calendar year 2009.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Carolyn Belcher, Bath County Judge/Executive  
The Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bath County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated August 2, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bath County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations to be a material weakness.

- The Sheriff Should Improve Internal Control Procedures



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bath County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff Should Present His Annual Settlement To The Fiscal Court

The Bath County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bath County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

August 2, 2010

## COMMENTS AND RECOMMENDATIONS



BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Should Present His Annual Settlement To The Fiscal Court

The Sheriff did not present his annual settlement to the fiscal court. KRS 134.310 states the Sheriff shall provide to the Fiscal court each year a complete statement for the preceding year of all funds received by his office for services rendered, and of all expenditures, including his salary, compensation of deputies and assistants, and reasonable expenses. At the time of his settlement, the Sheriff shall pay to the fiscal court any excess fees. We recommend the Sheriff comply with KRS 134.310 and present his annual settlement and pay excess fees to the fiscal court.

*Sheriff's Response: Ok.*

The Sheriff Should Comply With The Uniform System Of Accounts

The Sheriff did maintain a monthly receipts ledger for calendar year 2009, however, the ledger was not used to prepare monthly and quarterly reports. The receipts ledger did not include all funds collected nor were they totaled and agreed to the bank statements. Furthermore, the sheriff's office did not maintain an actual disbursements ledger. The sheet that was prepared for disbursements did not include dates, check numbers, payees or the amount of checks written. Additionally, it did not include all checks written. We had to recap the receipts ledgers and recap the checks to ensure all receipts and disbursements were accounted for properly and agreed to the bank statements. The quarterly report was not accurate. Total receipts per the quarterly report did not agree to the deposits into the bank, the quarterly report receipts were understated by \$15,574. Had the Sheriff's office posted all receipts and disbursements to the ledgers properly and agreed them to the bank statement, any errors would have been detected and corrected prior to the audit. The Sheriff is required to keep records that comply with the uniform system of accounts. The uniform system of accounts requires revenues to be recorded when received and expenditures to be recorded when paid. We recommend the Sheriff comply with uniform system of accounts and prepare proper records as required.

*Sheriff's Response: Ok.*

BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

The Sheriff Should Improve Internal Control Procedures

The Sheriff's internal controls procedures have deficiencies in cash receipts, expenditures, and bank reconciliations. These deficiencies occur when someone has custody over assets and the responsibility of recording financial statements.

A deficiency in the internal controls over cash receipts occurs because the bookkeeper collects, deposits, and prepares daily checkout sheets. The Sheriff posts daily receipt to the receipts ledger, however, it is not utilized to prepare financial reports. The financial reports are prepared using the daily checkout sheets. When preparing the financial reports using the daily checkout sheets, there is no documentation to support where receipt figures are recorded. The Sheriff could strengthen controls over cash receipts by reviewing the deposit, and comparing it to the daily checkout sheet and receipts ledger. The receipts ledger should be totaled per day and month and compiled monthly, quarterly, and yearly to prepare the financial report. This procedure needs to be documented by the Sheriff initialing the checkout sheet, receipts ledger, or deposit slip.

A deficiency in the internal controls over expenditures occurs because the bookkeeper prepares checks and is also involved in purchasing and receiving. The sheet that was prepared for disbursements did not include dates, check numbers, payees or the amount of checks written. Additionally, it did not include all checks written. The financial reports were prepared using check stubs. A disbursement ledger should be maintained and disbursement posted to appropriate category. The ledger should include columns for date written, payee, amount of check and check number and disbursement categories along the top of the ledger. The disbursements ledger should be totaled per day and month and compiled monthly, quarterly, and yearly to prepare the financial report. To strengthen controls over expenditures, the Sheriff could review and initial invoices before he signs checks to document his approval prior to mailing. It was also noted that invoices should be properly cancelled by stamping them paid as a check is issued.

It was noted that proper bank reconciliations are not being completed. Bank reconciliations should be completed at the end of each month. An important part of the bank reconciliation process is to agree all the deposits and cancelled checks to the ledgers to ensure all are accounted for properly and included in the ledgers. A good internal control would be for the Sheriff to review the bank reconciliation prepared by an employee having no access to cash, and document his review by initialing the bank reconciliation.

In our judgment, these control deficiencies could adversely affect the Sheriff's ability to record, process, summarize, and report accurate financial information. These internal control deficiencies are hereby noted as significant deficiencies pursuant to professional auditing standards. We believe these significant deficiencies as described above are material weaknesses. We recommend the Sheriff improve internal controls within his office.

*Sheriff's Response: Ok.*

